

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CHARTER TOWNSHIP OF PENNFIELD	County CALHOUN
Audit Date 3/31/04	Opinion Date 5/13/04	Date Accountant Report Submitted to State: 9/9/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		ZIP 49002-5599	
Accountant Signature 		Date 9/9/04	

Charter Township of Pennfield
Calhoun County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2004

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INDEPENDENT AUDITORS' REPORT

**Members of the Township Board
Charter Township of Pennfield, Michigan**

We have audited the accompanying general purpose financial statements of the Charter Township of Pennfield, Michigan, as of March 31, 2004, and for the year then ended, as listed in the contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Pennfield, Michigan, As of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying combining and individual fund statements identified as supplementary information in the contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Charter Township of Pennfield, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Siegfried Crandall P.C.

May 13, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

Charter Township of Pennfield
COMBINED BALANCE SHEET - all fund types and account groups
March 31, 2004

		<i>Governmental fund types</i>	
		<i>General</i>	<i>Special revenue</i>
ASSETS			
Cash and cash equivalents	\$	1,373,492	\$ 28,913
Investments		487,246	-
Receivables:			
Taxes		21,374	50,695
Special assessments		-	-
Accounts		25,999	-
Due from other governmental units		109,403	-
Due from other funds		59,846	-
Amounts to be provided for retirement of long-term debt		-	-
Fixed assets		-	-
Less accumulated depreciation		-	-
Long-term advance to other fund		-	-
Cash reserved for debt service		-	-
TOTAL ASSETS	\$	<u>2,077,360</u>	<u>\$ 79,608</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts payable	\$	16,829	\$ -
Due to other funds		-	50,698
Due to other governmental units		-	-
Accrued expenses		14,968	-
Deposits		-	-
Long-term advance from other fund		-	-
Long-term debt		-	-
Total liabilities		<u>31,797</u>	<u>50,698</u>
FUND EQUITY:			
Contributed capital		-	-
Investment in general fixed assets		-	-
Retained earnings:			
Reserved		-	-
Unreserved		-	-
Fund balance:			
Reserved		12,172	-
Unreserved, undesignated		2,033,391	28,910
Total fund equity		<u>2,045,563</u>	<u>28,910</u>
TOTAL LIABILITIES AND FUND EQUITY	\$	<u>2,077,360</u>	<u>\$ 79,608</u>

<i>Proprietary fund type</i>	<i>Fiduciary fund type</i>	<i>Account groups</i>		<i>Totals (memorandum only)</i>	
<i>Enterprise</i>	<i>Trust and agency</i>	<i>General fixed assets</i>	<i>General long- term debt</i>	<i>2004</i>	<i>2003</i>
\$ 869,820 323,785	\$ 6,917 -	\$ - -	\$ - -	\$ 2,279,142 811,031	\$ 2,237,918 893,136
-	-	-	-	72,069	62,962
170,506	-	-	-	170,506	209,393
118,988	-	-	-	144,987	161,281
-	-	-	-	109,403	97,454
-	-	-	-	59,846	53,817
-	-	-	37,842	37,842	37,264
15,884,214	-	1,400,967	-	17,285,181	17,209,510
(6,134,445)	-	-	-	(6,134,445)	(5,800,096)
400,000	-	-	-	400,000	400,000
83,984	-	-	-	83,984	16,713
<u>\$ 11,716,852</u>	<u>\$ 6,917</u>	<u>\$ 1,400,967</u>	<u>\$ 37,842</u>	<u>\$ 15,319,546</u>	<u>\$ 15,579,352</u>
\$ 33,308 9,148 3,561 91,844 8,155 400,000 4,050,000	\$ 6,917 - - - - - -	\$ - - - - - - -	\$ - - - 37,842 - - -	\$ 57,054 59,846 3,561 144,654 8,155 400,000 4,050,000	\$ 117,373 53,817 3,561 146,614 7,321 400,000 4,180,000
<u>4,596,016</u>	<u>6,917</u>	<u>-</u>	<u>37,842</u>	<u>4,723,270</u>	<u>4,908,686</u>
6,208,840 -	- -	- 1,400,967	- -	6,208,840 1,400,967	6,342,726 1,307,972
83,696 828,300	- -	- -	- -	83,696 828,300	16,713 941,777
- -	- -	- -	- -	12,172 2,062,301	11,583 2,049,895
<u>7,120,836</u>	<u>-</u>	<u>1,400,967</u>	<u>-</u>	<u>10,596,276</u>	<u>10,670,666</u>
<u>\$ 11,716,852</u>	<u>\$ 6,917</u>	<u>\$ 1,400,967</u>	<u>\$ 37,842</u>	<u>\$ 15,319,546</u>	<u>\$ 15,579,352</u>

See notes to financial statements

Charter Township of Pennfield**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - all governmental fund types**

Year ended March 31, 2004

			<i>Totals</i> <i>(memorandum only)</i>	
	<i>General</i>	<i>Special revenue</i>	<i>2004</i>	<i>2003</i>
REVENUES:				
Taxes	\$ 282,134	\$ 540,713	\$ 822,847	\$ 777,943
Licenses and permits	111,610	-	111,610	128,479
State grants	716,726	-	716,726	755,953
Charges for services	24,311	-	24,311	18,237
Fines and forfeitures	-	-	-	70
Interest and rentals	30,481	270	30,751	55,469
Other	21,329	78,329	99,658	91,440
Total revenues	<u>1,186,591</u>	<u>619,312</u>	<u>1,805,903</u>	<u>1,827,591</u>
EXPENDITURES:				
Legislative	6,305	-	6,305	6,533
General government	408,222	-	408,222	397,557
Public safety	1,122,677	-	1,122,677	1,100,098
Public works	63,740	14,726	78,466	79,600
Community and economic development	15,529	-	15,529	13,122
Capital outlay	161,709	-	161,709	24,850
Debt service:				
Principal	-	-	-	41,910
Interest and fees	-	-	-	1,876
Total expenditures	<u>1,778,182</u>	<u>14,726</u>	<u>1,792,908</u>	<u>1,665,546</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(591,591)</u>	<u>604,586</u>	<u>12,995</u>	<u>162,045</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	604,316	-	604,316	588,026
Operating transfers out	-	(604,316)	(604,316)	(588,026)
Total other financing sources (uses)	<u>604,316</u>	<u>(604,316)</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>12,725</u>	<u>270</u>	<u>12,995</u>	<u>162,045</u>
FUND BALANCE - BEGINNING OF YEAR	<u>2,032,838</u>	<u>28,640</u>	<u>2,061,478</u>	<u>1,899,433</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,045,563</u>	<u>\$ 28,910</u>	<u>\$ 2,074,473</u>	<u>\$ 2,061,478</u>

See notes to financial statements

Charter Township of Pennfield**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - general and special revenue funds***Year ended March 31, 2004*

	<i>General</i>		<i>Variance favorable (unfavorable)</i>
	<i>Budget</i>	<i>Actual</i>	
REVENUES:			
Taxes	\$ 254,110	\$ 282,134	\$ 28,024
Licenses and permits	130,630	111,610	(19,020)
State grants	704,400	716,726	12,326
Charges for services	18,500	24,311	5,811
Fines and forfeits	120	-	(120)
Interest and rentals	33,800	30,481	(3,319)
Other	7,900	21,329	13,429
Total revenues	<u>1,149,460</u>	<u>1,186,591</u>	<u>37,131</u>
EXPENDITURES:			
Legislative	9,245	6,305	2,940
General government	449,773	408,222	41,551
Public safety	1,160,094	1,122,677	37,417
Public works	70,200	63,740	6,460
Community and economic development	17,463	15,529	1,934
Capital outlay	168,965	161,709	7,256
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
Total expenditures	<u>1,875,740</u>	<u>1,778,182</u>	<u>97,558</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(726,280)</u>	<u>(591,591)</u>	<u>134,689</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	590,280	604,316	14,036
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>590,280</u>	<u>604,316</u>	<u>14,036</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(136,000)</u>	<u>12,725</u>	<u>148,725</u>
FUND BALANCE - BEGINNING OF YEAR	<u>2,032,838</u>	<u>2,032,838</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,896,838</u>	<u>\$ 2,045,563</u>	<u>\$ 148,725</u>

<i>Special revenue</i>			<i>Totals (memorandum only)</i>		
<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>	<i>Budget</i>	<i>Actual</i>	<i>Variance favorable (unfavorable)</i>
\$ 595,047	\$ 540,713	\$ (54,334)	\$ 849,157	\$ 822,847	\$ (26,310)
-	-	-	130,630	111,610	(19,020)
-	-	-	704,400	716,726	12,326
-	-	-	18,500	24,311	5,811
-	-	-	120	-	(120)
-	270	270	33,800	30,751	(3,049)
<u>65,000</u>	<u>78,329</u>	<u>13,329</u>	<u>72,900</u>	<u>99,658</u>	<u>26,758</u>
<u>660,047</u>	<u>619,312</u>	<u>(40,735)</u>	<u>1,809,507</u>	<u>1,805,903</u>	<u>(3,604)</u>
-	-	-	9,245	6,305	2,940
-	-	-	449,773	408,222	41,551
-	-	-	1,160,094	1,122,677	37,417
14,727	14,726	1	84,927	78,466	6,461
-	-	-	168,965	161,709	7,256
-	-	-	-	-	-
-	-	-	-	-	-
<u>14,727</u>	<u>14,726</u>	<u>1</u>	<u>1,873,004</u>	<u>1,777,379</u>	<u>95,625</u>
<u>645,320</u>	<u>604,586</u>	<u>(40,734)</u>	<u>(63,497)</u>	<u>28,524</u>	<u>92,021</u>
-	-	-	590,280	604,316	14,036
<u>(605,713)</u>	<u>(604,316)</u>	<u>1,397</u>	<u>(605,713)</u>	<u>(604,316)</u>	<u>1,397</u>
<u>(605,713)</u>	<u>(604,316)</u>	<u>1,397</u>	<u>(15,433)</u>	<u>-</u>	<u>15,433</u>
39,607	270	(39,337)	(78,930)	28,524	107,454
<u>28,640</u>	<u>28,640</u>	<u>-</u>	<u>2,061,478</u>	<u>2,061,478</u>	<u>-</u>
<u>\$ 68,247</u>	<u>\$ 28,910</u>	<u>\$ (39,337)</u>	<u>\$ 1,982,548</u>	<u>\$ 2,090,002</u>	<u>\$ 107,454</u>

See notes to financial statements

Charter Township of Pennfield**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - proprietary fund types***Year ended March 31, 2004*

	<i>Enterprise funds</i>	
	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:		
Charges for services	\$ 894,227	\$ 930,940
Hydrant rental	64,800	64,800
Fees, permits, and other	<u>46,883</u>	<u>58,008</u>
Total operating revenues	<u>1,005,910</u>	<u>1,053,748</u>
OPERATING EXPENSES:		
Personal services	142,692	136,651
Contractual services	413,765	418,470
Supplies and materials	14,600	12,664
Insurance	9,809	6,769
Utilities and telephone	13,902	13,551
Depreciation	334,350	306,929
Administrative fees	16,000	16,000
Repairs and maintenance	35,497	38,263
Other	<u>18,265</u>	<u>19,341</u>
Total operating expenses	<u>998,880</u>	<u>968,638</u>
OPERATING INCOME	<u>7,030</u>	<u>85,110</u>
NONOPERATING REVENUES (EXPENSES):		
State grants	436	2,319
Interest income	10,639	29,925
Special assessment interest	12,435	15,322
Interest expenses	<u>(210,921)</u>	<u>(217,546)</u>
Total nonoperating expenses	<u>(187,411)</u>	<u>(169,980)</u>
NET LOSS	(180,381)	(84,870)
ADDITIONS:		
Depreciation on fixed assets acquired by grants that reduces contributed capital	<u>133,887</u>	<u>133,887</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	(46,494)	49,017
RETAINED EARNINGS - BEGINNING OF YEAR	<u>958,490</u>	<u>909,473</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 911,996</u>	<u>\$ 958,490</u>

See notes to financial statements

Charter Township of Pennfield
COMBINED STATEMENT OF CASH FLOWS - proprietary fund types
Year ended March 31, 2004

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 1,025,510	\$ 1,051,100
Payments to suppliers	(525,433)	(524,614)
Payments to employees	<u>(143,201)</u>	<u>(136,487)</u>
Net cash provided by operating activities	<u>356,876</u>	<u>389,999</u>
Cash flows from noncapital financing activities - state grants	<u>436</u>	<u>13,371</u>
Cash flows from capital and related financing activities:		
Principal collections on special assessments	44,093	47,355
Special assessments interest	12,435	15,322
Acquisition of fixed assets	(32,676)	(21,250)
Principal paid on capital debt	(130,000)	(130,000)
Interest paid on capital debt	<u>(213,681)</u>	<u>(220,307)</u>
Net cash used in capital and related financing activities	<u>(319,829)</u>	<u>(308,880)</u>
Cash flows from investing activities:		
Interest received	9,844	29,925
Purchase of investments	<u>60,398</u>	<u>(21,471)</u>
Net cash provided by investing activities	<u>70,242</u>	<u>8,454</u>
Net increase in cash	107,725	102,944
Cash and cash equivalents - beginning of year	<u>846,079</u>	<u>743,135</u>
Cash and cash equivalents - end of year	<u><u>\$ 953,804</u></u>	<u><u>\$ 846,079</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 7,030	\$ 85,110
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	334,350	306,929
(Increase) decrease in accounts receivable	19,600	(3,027)
Increase (decrease) in:		
Accounts payable	(4,545)	(242)
Accrued payroll and payroll taxes	(509)	164
Due to other funds	116	686
Deposits	<u>834</u>	<u>379</u>
Net cash provided by operating activities	<u><u>\$ 356,876</u></u>	<u><u>\$ 389,999</u></u>

See notes to financial statements

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Pennfield, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a component unit in the Township's financial statements.

b) Basis of presentation:

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for in, individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The financial activities of the Township are recorded in the separate funds and account groups, categorized, and described as follows:

i) Governmental funds:

General Fund - this fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special revenue funds - these funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

ii) Proprietary funds:

Enterprise funds - these funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

b) Basis of presentation (continued):

iii) Fiduciary funds:

Trust and agency funds - these funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations or governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

iv) Account groups:

General fixed assets account group - this account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

General long-term debt account group - this account group presents the balance of general obligation long-term debt, which is not recorded in proprietary funds.

The account groups are not funds. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

c) Basis of accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. All governmental and fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due.

The proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled water and sewer fund utility service receivables are recorded at year end. The Township has elected to follow (1) all GASB pronouncements and (2) Financial Accounting Standards Board statements and interpretations, Accounting Principles Board's opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

d) Budgets and budgetary accounting:

The Township follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Acts of 1978) as prescribed by the State of Michigan.

Budgets for the general and special revenues funds are adopted at the activity level and are on a basis consistent with generally accepted accounting principles.

e) Cash and investments:

The Township considers all highly-liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Investments are stated at market value.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

f) Fixed assets:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation expense on assets acquired through grants from other units of government is recorded as an addition to retained earnings and transferred from contributed capital. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Distribution and collection systems	50 years
Additions	50 years
Equipment	5 - 10 years

g) Special assessment revenues recognition:

The Township recognizes special assessment revenues in the special revenues funds in the amount that is due and/or collected in the current year. Interest income on special assessments receivable is not accrued until its due date.

h) Compensated absences:

The Township provides vacation and sick leave benefits for all full-time employees. Vested vacation benefits are included as part of accrued payroll. Accumulated sick pay benefits payable upon termination are recorded in the general long-term debt account group.

i) Property tax revenues recognition:

Property tax revenues are recognized in the year for which taxes have been levied and become available. Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14 (75 days after the date levied), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. The Township considers property taxes levied December 1 as revenues of the current year.

j) Fund equity:

Reservations of fund balance represent amounts that are not appropriable or are legally separated for a specific purpose.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

k) Totals (memorandum only):

The total column on the combined statements is captioned "memorandum only" to indicate that it is prepared only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, as interfund eliminations have not been made.

l) Comparative data:

Comparative data for the prior year has been presented in the financial statements in order to provide an understanding of changes in the Township's financial position and results of operations. However, comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements because their inclusion would make the statements unduly complex and difficult to read.

NOTE 2 - CASH AND INVESTMENTS:

The Township maintains individual and pooled cash accounts. A reconciliation of cash and investments to the Township's deposits and investments, as shown in the combined balance sheet, is as follows:

Financial statements:

Cash and cash equivalents	\$2,279,141
Cash reserved for debt service	83,984
Investments	<u>811,031</u>
	<u>\$3,174,156</u>

Notes to financial statements:

Deposits	\$2,362,700
Investments	811,031
Cash on hand	<u>425</u>
	<u>\$3,174,156</u>

a) Deposits:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township Treasurer. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in accounts of federally-insured banks, credit unions, and savings and loan associations. At March 31, 2004, the Township has deposits with a carrying amount of \$2,363,125 and a bank balance of \$2,384,519. Of the bank balance, \$414,741 is covered by federal depository insurance and \$1,969,778 is uninsured.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued):

b) Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three highest rate classifications by at least two rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds that invest in investments allowed by state statute; and f) investment pools organized under the local government investment pool act.

The GASB Statement 3 risk disclosures for the Township investments are as follows:

Investment type

Risk-categorized - GNMA bonds	\$ 71,291
Nonrisk-categorized:	
GNMA unit investment trusts	425,031
Mutual Funds	<u>314,709</u>
Total investments	<u>\$811,031</u>

The Township's risk-categorized investments are carried at market value and are registered and held in the Township's name by a financial institution. The non-risk categorized investments are carried at cost, which approximates market.

NOTE 3 - PENSION PLANS:

a) Defined Contribution and Money Purchase Plan:

The Township provided pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan State Statute assigns the authority to establish and amend benefit provisions to the Township Board of Trustees. Employees are eligible to participate from the date of employment. The Township contributes 10% of each qualified employee's base salary to the plan. All of the Township's contributions for each participating employee (and interest allocated to the employee's account) are fully vested when the employee completes 20 months of service. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets. The Township made required contributions of \$13,014.

The Defined Contribution and Money Purchase Plan was replaced by a Defined Benefit Pension Plan effective June 1, 2003.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - PENSION PLANS (Continued):

b) *Defined Benefit Pension Plan:*

i) *Description of plan and plan assets:*

The Township's defined benefit pension plan provides normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty and duty death allowances, and post-retirement adjustments to plan members and their beneficiaries. The Township's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Township. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917 or by calling 1-800-767-6377.

ii) *Funding policy:*

MERS members are required to contribute an amount varying from 0.0% to 10.0%, depending upon which plan they fall under. The Township is required to contribute at an actuarially-determined rate; the current rate is 14.32% of annual covered payroll depending on the plan. The contribution requirements of plan members and the Township are established, and may be amended, by MERS.

iii) *Annual pension cost:*

For the year ended March 31, 2004, employer contributions of \$31,858 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of March 31, 2003. The employer contribution rate has been determined using the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost. The employer's normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his/her projected benefit. Significant actuarial assumptions used included (a) 8.0% long-term net investment rate of return, (b) projected salary increases of 4.5% per year, and (c) 4.5% per year cost-of-living adjustments. The actuarial value of MERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

iv) *Trend information:*

<u>Fiscal year ended March 31,</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2004	\$31,858	100%	-

Actuarial information regarding plan assets and liabilities is not currently available.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - FIXED ASSETS:

Changes in general fixed assets:

	<i>Balance April <u>1, 2003</u></i>	<i>Additions</i>	<i>Dispositions</i>	<i>Balance March <u>31, 2004</u></i>
Land	\$ 111,417	\$ -	\$ -	\$ 111,417
Buildings and grounds	266,569	12,194	-	278,763
Machinery and equipment	83,114	-	19,018	64,096
Vehicles	717,544	124,738	2,476	839,806
Office equipment	<u>129,328</u>	<u>13,125</u>	<u>35,568</u>	<u>106,885</u>
	<u>\$1,307,972</u>	<u>\$150,057</u>	<u>\$ 57,062</u>	<u>\$1,400,967</u>

A summary of property, plant, and equipment of the enterprise funds follows:

	<i>Balance March <u>31, 2004</u></i>
Sewer disposal system	\$ 9,356,385
Water supply system	6,368,458
Equipment	<u>159,371</u>
	15,884,214
Less allowance for accumulated depreciation	<u>6,134,445</u>
	<u>\$ 9,749,769</u>

NOTE 5 - LONG-TERM DEBT:

The following is a summary of long-term debt transactions for the year ended March 31, 2004:

	<i>Enterprise funds <u>Contracts payable</u></i>
Balance at April 1, 2003	\$4,180,000
Payments on debt	<u>(130,000)</u>
Balance at March 31, 2004	<u>\$4,050,000</u>

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM DEBT (Continued):

Long-term debt at March 31, 2004, is comprised of the following individual issues:

Contracts payable:

Contract with county to provide payment for Western Calhoun County Sanitary Sewer System No. 28 (Township of Pennfield) Bond, bearing interest at 5%, maturing each year through 2017, principal installment is \$75,000	\$1,050,000
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Contract with county to provide payment for Calhoun County Water Supply System No. 6 (Township of Pennfield) Bond, bearing interest at 5%, maturing each year through 2022, principal installments range from \$30,000 to \$45,000	735,000
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Contract with county to provide payment for Calhoun County Water Supply System Series 1997 (Township of Pennfield) Bond, bearing interest at 5% to 7%, maturing each year through 2032, principal installments range from \$25,000 to \$125,000	<u>2,265,000</u>
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Total long-term debt	<u>\$4,050,000</u>
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Total service requirements, including \$2,889,652 interest, are shown below for the years ended March 31, 2004 through 2009, and later years:

	<i><u>Enterprise fund type</u></i>
2005	\$ 341,919
2006	335,056
2007	327,969
2008	340,356
2009	342,231
Later years	<u>5,252,121</u>
	<u>\$6,939,652</u>

The total interest expense relating to the contracts payable is \$52,813 and \$158,108 for the Sewer Fund and Water Fund, respectively.

The Township has pledged its full faith and credit for the payment of the contracts payable. Should a funding deficiency occur, the Township may assess a monthly debt service charge against all residential equivalent users of the sewer or water systems.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM DEBT (Continued):

There are a number of restrictions contained in the various contracts and notes. The Township is in compliance with these restrictions.

Accrued expenses included in the general long-term debt account group consist of accumulated sick pay benefits payable only upon employee termination. For the year ended March 31, 2004, there was an increase of \$578 in accrued sick pay benefits.

NOTE 6 - CONTRIBUTED CAPITAL:

A summary of contributed capital at March 31, 2004, is given below:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
Contributions from customers	\$1,752,390	\$ 493,058	\$2,245,448
Contributions from other governmental units	<u>6,044,950</u>	<u>1,143,673</u>	<u>7,188,623</u>
Total	7,797,340	1,636,731	9,434,071
Cumulative transfers to retained earnings for depreciation of fixed assets acquired by contributions from other governmental units	<u>2,925,600</u>	<u>299,631</u>	<u>3,225,231</u>
Balance at March 31, 2004	<u>\$4,871,740</u>	<u>\$1,337,100</u>	<u>\$6,208,840</u>

Contributions from customers represent the cost of fixed assets financed by contractual obligations that are expected to be repaid through assessments levied against affected properties.

Contributions from other governments represent the cost of fixed assets financed by grants from other governmental units.

Depreciation related to these fixed assets is being charged directly against contributed capital, and is shown as a transfer to retained earnings. Depreciation of \$111,405 and \$22,482 was charged to contributions from other governments in the Sewer Fund and Water Fund, respectively, during the current year.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - INTERFUND RECEIVABLE AND PAYABLE:

The amount of interfund receivables and payables at March 31, 2004, is as follows:

<u>Fund</u>	<u>Interfund receivable</u>	<u>Fund</u>	<u>Interfund payable</u>
General	<u>\$59,846</u>	Public Safety	\$44,534
		Street Lights	5,729
		Paving	435
		Sewer	4,682
		Water	<u>4,466</u>
			<u>\$59,846</u>

The long-term advance to other fund consists of amounts advanced to the Water Fund by the Sewer Fund for purposes of constructing water system improvements. The advance is to be repaid as cash flows permit.

NOTE 8 - SEGMENT INFORMATION:

The Township operates two enterprise funds. Significant financial data for the year ended March 31, 2004, is as follows:

	<u>Sewer fund</u>	<u>Water fund</u>	<u>Total</u>
Operating revenues	\$ 608,609	\$ 397,301	\$ 1,005,910
Depreciation expense	191,036	143,314	334,350
Operating income (loss)	(74,114)	81,144	7,030
Net income (loss)	(113,346)	(67,035)	(180,381)
Net working capital	492,360	544,217	1,036,577
Acquisition of fixed assets	8,422	24,254	32,676
Total assets	6,075,576	5,641,276	11,716,852
Long-term liabilities	975,000	3,345,000	4,320,000
Total equity	4,955,436	2,165,400	7,120,836

NOTE 9 - CLAIMS ARISING FROM RISK OF LOSS:

The Township is exposed to various risks of losses for claims arising from general liability, wrongful acts, professional liability, property damage and destruction, crime, accidents, and injuries.

Risks of losses arising from possible claims are managed through the purchase of commercial insurance. Coverages for general, professional, and wrongful act liabilities are set at \$5,000,000 per incident, with policy period maximums at \$5,000,000 to \$15,000,000. Fleet liability coverage includes bodily injury and property damage liability protection up to \$5,000,000 and damage coverage at replacement value for fire and rescue vehicles up to approximately \$1,200,000, and at cash values for other Township vehicles. Buildings and property coverages total approximately \$4,000,000.

Charter Township of Pennfield
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - CLAIMS ARISING FROM RISK OF LOSS (Continued):

For all risks of loss, there has been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2003, is as follows:

Revenues	\$ 56,618
Expenditures	<u>(56,029)</u>
Excess of revenues over expenditures	\$ <u>589</u>

NOTE 11 - STATEMENT OF CASH FLOWS:

For purposes of the statement of cash flows, cash at the beginning and the end of the year consists of the following:

	<i><u>April</u></i> <i><u>1, 2003</u></i>	<i><u>March</u></i> <i><u>31, 2004</u></i>
Cash and cash equivalents	\$829,366	\$869,820
Cash reserved for debt service	<u>16,713</u>	<u>83,984</u>
	<u>\$846,079</u>	<u>\$953,804</u>

SUPPLEMENTARY INFORMATION

Charter Township of Pennfield
BALANCE SHEET - General Fund

March 31, 2004

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash and cash equivalents	\$ 1,373,492	\$ 1,372,662
Investments	487,246	505,966
Receivables:		
Taxes	21,374	18,471
Accounts	25,999	23,129
Due from other governmental units	109,403	97,454
Due from other funds	<u>59,846</u>	<u>53,817</u>
TOTAL ASSETS	<u>\$ 2,077,360</u>	<u>\$ 2,071,499</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 16,829	\$ 22,806
Accrued payroll and payroll taxes	<u>14,968</u>	<u>16,391</u>
Total liabilities	<u>31,797</u>	<u>39,197</u>
FUND BALANCE:		
Reserved for code enforcement	12,172	11,583
Unreserved, undesignated	<u>2,033,391</u>	<u>2,021,255</u>
Total fund balance	<u>2,045,563</u>	<u>2,032,838</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,077,360</u>	<u>\$ 2,072,035</u>

Charter Township of Pennfield**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL · General Fund**

Year ended March 31, 2004

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>Actual</u>
REVENUES:				
Taxes:				
Current property taxes	\$ 170,110	\$ 197,934	\$ 27,824	\$ 170,139
Tax administrative fees	83,000	81,515	(1,485)	79,435
Interest on delinquent tax collections	<u>1,000</u>	<u>2,685</u>	<u>1,685</u>	<u>2,998</u>
Total taxes	<u>254,110</u>	<u>282,134</u>	<u>28,024</u>	<u>252,572</u>
Licenses and permits:				
Permits	85,380	60,995	(24,385)	81,284
Cablevision fees	40,000	44,385	4,385	42,194
Liquor licenses	4,650	5,613	963	4,674
Waste disposal licenses	300	300	-	-
Animal licenses	<u>300</u>	<u>317</u>	<u>17</u>	<u>327</u>
Total licenses and permits	<u>130,630</u>	<u>111,610</u>	<u>(19,020)</u>	<u>128,479</u>
State grants	<u>704,400</u>	<u>716,726</u>	<u>12,326</u>	<u>755,953</u>
Charges for services:				
Administrative fees	16,000	16,000	-	16,000
Other charges and fees	<u>2,500</u>	<u>8,311</u>	<u>5,811</u>	<u>2,237</u>
Total charges for services	<u>18,500</u>	<u>24,311</u>	<u>5,811</u>	<u>18,237</u>
Fines and forfeits	<u>120</u>	<u>-</u>	<u>(120)</u>	<u>70</u>
Interest and rentals:				
Interest on investments	20,000	20,592	592	41,058
Rental income	<u>13,800</u>	<u>9,889</u>	<u>(3,911)</u>	<u>13,974</u>
Total interest and rentals	<u>33,800</u>	<u>30,481</u>	<u>(3,319)</u>	<u>55,032</u>
Other	<u>7,900</u>	<u>21,329</u>	<u>13,429</u>	<u>12,268</u>
Total revenues	<u>1,149,460</u>	<u>1,186,591</u>	<u>37,131</u>	<u>1,222,611</u>

Charter Township of Pennfield**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL · General Fund (Continued)**

Year ended March 31, 2004

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>Actual</u>
EXPENDITURES:				
Legislative - Township Board	\$ 9,245	\$ 6,305	\$ 2,940	\$ 6,533
General government:				
Supervisor	58,664	57,919	745	56,222
Elections	12,930	2,735	10,195	11,426
Clerk	54,937	53,708	1,229	51,120
Treasurer	54,328	53,232	1,096	51,604
Hall and grounds	21,686	12,865	8,821	7,826
General office	147,866	143,900	3,966	134,656
Assessor	49,175	47,679	1,496	47,034
Board of review	1,600	1,746	(146)	1,652
Board of appeals	-	1,215	(1,215)	675
Citizen advisory	2,300	1,435	865	2,270
Other	46,287	31,788	14,499	33,072
Total general government	449,773	408,222	41,551	397,557
Public safety:				
Police	595,047	595,047	-	622,034
Fire	446,121	438,324	7,797	377,260
Inspections	82,380	55,672	26,708	66,966
Ordinance enforcement	36,546	33,634	2,912	33,838
Total public safety	1,160,094	1,122,677	37,417	1,100,098
Public works:				
Street lights	65,000	63,057	1,943	63,118
Road maintenance	5,000	683	4,317	-
Street signs	200	-	200	-
Total public works	70,200	63,740	6,460	63,118
Community and economic development - planning and zoning	17,463	15,529	1,934	13,122
Capital outlay	168,965	161,709	7,256	24,850

Charter Township of Pennfield**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - General Fund (Continued)**

Year ended March 31, 2004

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>Actual</u>
EXPENDITURES (Continued):				
Debt service:				
Principal	\$ -	\$ -	\$ -	\$ 41,910
Interest and fees	-	-	-	1,876
Total expenditures	<u>1,875,740</u>	<u>1,778,182</u>	<u>97,558</u>	<u>1,649,064</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(726,280)</u>	<u>(591,591)</u>	<u>134,689</u>	<u>(426,453)</u>
OTHER FINANCING SOURCES:				
Operating transfer in - Public Safety	525,280	540,713	15,433	525,371
Operating transfer in - Street Lighting	<u>65,000</u>	<u>63,603</u>	<u>(1,397)</u>	<u>62,655</u>
Total other financing sources	<u>590,280</u>	<u>604,316</u>	<u>14,036</u>	<u>588,026</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(136,000)	12,725	148,725	161,573
FUND BALANCE - BEGINNING OF YEAR	<u>2,032,838</u>	<u>2,032,838</u>	-	<u>1,871,265</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,896,838</u>	<u>\$ 2,045,563</u>	<u>\$ 148,725</u>	<u>\$ 2,032,838</u>

Charter Township of Pennfield
COMBINING BALANCE SHEET - special revenue funds
March 31, 2004

	<u>Public Safety</u>	<u>Street Lights</u>
ASSETS		
Cash and cash equivalents	\$ 17,769	\$ -
Receivables:		
Taxes	44,531	5,729
Special assessments	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 62,300</u>	<u>\$ 5,729</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ -	\$ -
Due to other funds	<u>44,534</u>	<u>5,729</u>
TOTAL LIABILITIES	44,534	5,729
FUND BALANCE	<u>17,766</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 62,300</u>	<u>\$ 5,729</u>

<i>Paving Assessments</i>	<i>Parks</i>	<i>Totals (memorandum only)</i>	
		<i>2004</i>	<i>2003</i>
\$ -	\$ 11,144	\$ 28,913	\$ 28,643
435	-	50,695	44,491
<u>-</u>	<u>-</u>	<u>-</u>	<u>294</u>
<u>\$ 435</u>	<u>\$ 11,144</u>	<u>\$ 79,608</u>	<u>\$ 73,428</u>

\$ -	\$ -	\$ -	\$ 3
<u>435</u>	<u>-</u>	<u>50,698</u>	<u>44,785</u>
435	-	50,698	44,788
<u>-</u>	<u>11,144</u>	<u>28,910</u>	<u>28,640</u>
<u>\$ 435</u>	<u>\$ 11,144</u>	<u>\$ 79,608</u>	<u>\$ 73,428</u>

Charter Township of Pennfield**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - special revenue funds***Year ended March 31, 2004*

	<u>Public Safety</u>	<u>Street Lights</u>
REVENUES:		
Taxes	\$ 540,713	\$ -
Interest	168	-
Other	<u>-</u>	<u>63,603</u>
Total revenues	<u>540,881</u>	<u>63,603</u>
EXPENDITURES:		
Public works	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	540,881	63,603
OTHER FINANCING USES:		
Operating transfers out	<u>(540,713)</u>	<u>(63,603)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	168	-
FUND BALANCE - BEGINNING OF YEAR	<u>17,598</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 17,766</u>	<u>\$ -</u>

<i>Paving Assessments</i>	<i>Parks</i>	<i>Totals (memorandum only)</i>	
		<i>2004</i>	<i>2003</i>
\$ -	\$ -	\$ 540,713	\$ 525,371
-	102	270	437
<u>14,726</u>	<u>-</u>	<u>78,329</u>	<u>79,172</u>
<u>14,726</u>	<u>102</u>	<u>619,312</u>	<u>604,980</u>
<u>14,726</u>	<u>-</u>	<u>14,726</u>	<u>16,482</u>
-	102	604,586	588,498
<u>-</u>	<u>-</u>	<u>(604,316)</u>	<u>(588,026)</u>
-	102	270	472
<u>-</u>	<u>11,042</u>	<u>28,640</u>	<u>28,168</u>
<u>\$ -</u>	<u>\$ 11,144</u>	<u>\$ 28,910</u>	<u>\$ 28,640</u>

Charter Township of Pennfield**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *Public Safety Fund****Year ended March 31, 2004*

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>Actual</u>
REVENUES:				
Current property taxes	\$ 595,047	\$ 540,713	\$ (54,334)	\$ 20,450
Interest	-	168	168	276
Other	-	-	-	35
Total revenues	595,047	540,881	(54,166)	20,761
OTHER FINANCING USES:				
Operating transfer out - General Fund	<u>(595,047)</u>	<u>(540,713)</u>	<u>54,334</u>	<u>(20,450)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	-	168	168	311
FUND BALANCE - BEGINNING OF YEAR	<u>17,598</u>	<u>17,598</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 17,598</u>	<u>\$ 17,766</u>	<u>\$ 168</u>	<u>\$ 311</u>

Charter Township of Pennfield**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL - *Street Lights Fund****Year ended March 31, 2004*

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>Actual</u>
REVENUES:				
Other - assessments	\$ 65,000	\$ 63,603	\$ (1,397)	\$ (2,345)
OTHER FINANCING USES:				
Operating transfer out - General Fund	<u>(65,000)</u>	<u>(63,603)</u>	<u>1,397</u>	<u>2,345</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Pennfield

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *Paving Assessment Fund***

Year ended March 31, 2004

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>Actual</u>
REVENUES:				
Special assessments	\$ 14,727	\$ 14,726	\$ (1)	\$ 16,482
EXPENDITURES:				
Public works	14,727	14,726	1	(16,482)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Pennfield

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *Parks Fund***

Year ended March 31, 2004

	<u>2004</u>			<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>	<u>Actual</u>
REVENUES:				
Interest	\$ -	\$ 102	\$ 102	\$ 161
FUND BALANCE - BEGINNING OF YEAR	<u>11,042</u>	<u>11,042</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 11,042</u>	<u>\$ 11,144</u>	<u>\$ 102</u>	<u>\$ 161</u>

Charter Township of Pennfield
COMBINING BALANCE SHEET - enterprise funds
March 31, 2004

			<i>Totals</i>	
	<u>Sewer</u>	<u>Water</u>	<u>2004</u>	<u>2003</u>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 553,510	\$ 316,310	\$ 869,820	\$ 829,366
Investments	10,117	313,668	323,785	387,170
Accounts receivable	<u>73,873</u>	<u>45,115</u>	<u>118,988</u>	<u>138,152</u>
Total current assets	<u>637,500</u>	<u>675,093</u>	<u>1,312,593</u>	<u>1,354,688</u>
PROPERTY, PLANT, AND EQUIPMENT:				
Fixed assets	9,439,136	6,445,078	15,884,214	15,901,538
Less accumulated depreciation	<u>4,594,962</u>	<u>1,539,483</u>	<u>6,134,445</u>	<u>5,800,096</u>
Net fixed assets	<u>4,844,174</u>	<u>4,905,595</u>	<u>9,749,769</u>	<u>10,101,442</u>
OTHER ASSETS:				
Long-term advance to other fund	400,000	-	400,000	400,000
Special assessments receivable	109,918	60,588	170,506	209,099
Cash reserved for debt service	<u>83,984</u>	<u>-</u>	<u>83,984</u>	<u>16,713</u>
Total other assets	<u>593,902</u>	<u>60,588</u>	<u>654,490</u>	<u>625,812</u>
 TOTAL ASSETS	 <u><u>\$ 6,075,576</u></u>	 <u><u>\$ 5,641,276</u></u>	 <u><u>\$ 11,716,852</u></u>	 <u><u>\$ 12,081,942</u></u>

			<i>Totals</i>	
	<u>Sewer</u>	<u>Water</u>	<u>2004</u>	<u>2003</u>
LIABILITIES AND FUND EQUITY				
CURRENT LIABILITIES:				
Accounts payable	\$ 29,772	\$ 3,536	\$ 33,308	\$ 87,853
Due to other funds	4,682	4,466	9,148	9,032
Due to other governmental units	3,561	-	3,561	3,561
Accrued payroll and payroll taxes	2,095	2,095	4,190	2,545
Accrued interest payable	21,875	65,779	87,654	90,414
Deposits	8,155	-	8,155	7,321
Current maturities of contract payable	<u>75,000</u>	<u>55,000</u>	<u>130,000</u>	<u>130,000</u>
Total current liabilities	<u>145,140</u>	<u>130,876</u>	<u>276,016</u>	<u>330,726</u>
LONG-TERM LIABILITIES:				
Long-term advance from other fund	-	400,000	400,000	400,000
Contracts payable (less current maturities)	<u>975,000</u>	<u>2,945,000</u>	<u>3,920,000</u>	<u>4,050,000</u>
Total long-term liabilities	<u>975,000</u>	<u>3,345,000</u>	<u>4,320,000</u>	<u>4,450,000</u>
Total liabilities	<u>1,120,140</u>	<u>3,475,876</u>	<u>4,596,016</u>	<u>4,780,726</u>
FUND EQUITY:				
Contributed capital:				
Customers	1,752,390	493,058	2,245,448	2,245,448
Intergovernmental	6,044,950	1,143,673	7,188,623	7,188,622
Accumulated amortization	<u>(2,925,600)</u>	<u>(299,631)</u>	<u>(3,225,231)</u>	<u>(3,091,344)</u>
Total contributed capital	<u>4,871,740</u>	<u>1,337,100</u>	<u>6,208,840</u>	<u>6,342,726</u>
Retained earnings:				
Reserved for debt service	83,696	-	83,696	16,713
Unreserved	<u>-</u>	<u>828,300</u>	<u>828,300</u>	<u>941,777</u>
Total retained earnings	<u>83,696</u>	<u>828,300</u>	<u>911,996</u>	<u>958,490</u>
Total fund equity	<u>4,955,436</u>	<u>2,165,400</u>	<u>7,120,836</u>	<u>7,301,216</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 6,075,576</u>	<u>\$ 5,641,276</u>	<u>\$ 11,716,852</u>	<u>\$ 12,081,942</u>

Charter Township of Pennfield**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - *enterprise funds****Year ended March 31, 2004*

			<i>Totals</i>	
	<u>Sewer</u>	<u>Water</u>	<u>2004</u>	<u>2003</u>
OPERATING REVENUES:				
Charges for services	\$ 588,720	\$ 305,507	\$ 894,227	\$ 930,940
Hydrant rental	-	64,800	64,800	64,800
Fees, permits, and other	<u>19,889</u>	<u>26,994</u>	<u>46,883</u>	<u>58,008</u>
Total operating revenues	<u>608,609</u>	<u>397,301</u>	<u>1,005,910</u>	<u>1,053,748</u>
OPERATING EXPENSES:				
Personal services	72,463	70,229	142,692	136,651
Contractual services	388,607	25,158	413,765	418,470
Supplies and materials	5,820	8,780	14,600	12,664
Insurance	2,219	7,590	9,809	6,769
Utilities and telephone	1,642	12,260	13,902	13,551
Depreciation	191,036	143,314	334,350	306,929
Administrative fees	8,000	8,000	16,000	16,000
Repairs and maintenance	8,305	27,192	35,497	38,263
Other	<u>4,631</u>	<u>13,634</u>	<u>18,265</u>	<u>19,341</u>
Total operating expenses	<u>682,723</u>	<u>316,157</u>	<u>998,880</u>	<u>968,638</u>
OPERATING INCOME (LOSS)	<u>(74,114)</u>	<u>81,144</u>	<u>7,030</u>	<u>85,110</u>
NONOPERATING REVENUES (EXPENSES):				
State grants	-	436	436	2,319
Interest revenue	5,242	5,397	10,639	29,925
Special assessment interest	8,339	4,096	12,435	15,322
Interest expense	<u>(52,813)</u>	<u>(158,108)</u>	<u>(210,921)</u>	<u>(217,546)</u>
Total nonoperating expenses	<u>(39,232)</u>	<u>(148,179)</u>	<u>(187,411)</u>	<u>(169,980)</u>
NET LOSS	<u>(113,346)</u>	<u>(67,035)</u>	<u>(180,381)</u>	<u>(84,870)</u>
ADDITIONS:				
Depreciation on fixed assets acquired by grants that reduces contributed capital	<u>\$ 111,405</u>	<u>\$ 22,482</u>	<u>\$ 133,887</u>	<u>\$ 133,887</u>
INCREASE IN RETAINED EARNINGS	(1,941)	(44,553)	(46,494)	49,017
RETAINED EARNINGS - BEGINNING OF YEAR	<u>85,637</u>	<u>872,853</u>	<u>958,490</u>	<u>909,473</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 83,696</u>	<u>\$ 828,300</u>	<u>\$ 911,996</u>	<u>\$ 958,490</u>

Charter Township of Pennfield**COMBINING STATEMENT OF CASH FLOWS - enterprise funds**

Year ended March 31, 2004

			<i>Totals</i>	
	<i>Sewer</i>	<i>Water</i>	<i>2004</i>	<i>2003</i>
Cash flows from operating activities:				
Receipts from customers and users	\$ 622,247	\$ 403,263	\$ 1,025,510	\$ 1,051,100
Payments to suppliers	(421,827)	(103,606)	(525,433)	(524,614)
Payments to employees	(71,895)	(71,306)	(143,201)	(136,487)
Net cash provided by operating activities	<u>128,525</u>	<u>228,351</u>	<u>356,876</u>	<u>389,999</u>
Cash flows from noncapital financing activities - state grants	<u>-</u>	<u>436</u>	<u>436</u>	<u>13,371</u>
Cash flows from capital and related financing activities:				
Principal collections on special assessments	31,844	12,249	44,093	47,355
Special assessments interest	8,339	4,096	12,435	15,322
Purchase of fixed assets	(8,422)	(24,254)	(32,676)	(21,250)
Principal paid on capital debt	(75,000)	(55,000)	(130,000)	(130,000)
Interest paid on capital debt	(54,375)	(159,306)	(213,681)	(220,307)
Net cash used in capital and related financing activities	<u>(97,614)</u>	<u>(222,215)</u>	<u>(319,829)</u>	<u>(308,880)</u>
Cash flows from investing activities:				
Interest received	4,447	5,397	9,844	29,925
Proceeds from sale of investments	-	60,398	60,398	-
Purchase of investments	-	-	-	(21,471)
Net cash provided by investing activities	<u>4,447</u>	<u>65,795</u>	<u>70,242</u>	<u>8,454</u>
Net increase in cash	35,358	72,367	107,725	102,944
Cash and cash equivalents - beginning of year	<u>602,136</u>	<u>243,943</u>	<u>846,079</u>	<u>743,135</u>
Cash and cash equivalents - end of year	<u>\$ 637,494</u>	<u>\$ 316,310</u>	<u>\$ 953,804</u>	<u>\$ 846,079</u>

Charter Township of Pennfield**COMBINING STATEMENT OF CASH FLOWS - enterprise funds (Continued)**

Year ended March 31, 2004

	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
			<u>2004</u>	<u>2003</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (74,114)	\$ 81,144	\$ 7,030	\$ 85,110
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	191,036	143,314	334,350	306,929
(Increase) decrease in accounts receivable	13,638	5,962	19,600	(3,027)
Increase (decrease) in:				
Accounts payable	(2,611)	(1,934)	(4,545)	(242)
Accrued payroll and payroll taxes	568	(1,077)	(509)	164
Due to other funds	(826)	942	116	686
Deposits	<u>834</u>	<u>-</u>	<u>834</u>	<u>379</u>
Net cash provided by operating activities	<u>\$ 128,525</u>	<u>\$ 228,351</u>	<u>\$ 356,876</u>	<u>\$ 389,999</u>

Charter Township of Pennfield

COMBINING BALANCE SHEET - *trust and agency funds*

March 31, 2004

*Trust and
Agency Fund*

Cash ASSETS

\$ 6,917

Accounts payable LIABILITIES

\$ 6,917

Charter Township of Pennfield

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ·

all agency funds

Year ended March 31, 2004

	<i>Balance April 1, 2003</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance March 31, 2004</i>
TRUST AND AGENCY FUND				
ASSETS				
Cash	\$ 6,711	\$ 13,410	\$ 13,204	\$ 6,917
LIABILITIES				
Accounts payable	\$ 6,576	\$ 350	\$ 9	\$ 6,917
Due to other funds	-	1,645	1,645	-
Due to other governmental units	135	11,416	11,551	-
TOTAL LIABILITIES	\$ 6,711	\$ 13,411	\$ 13,205	\$ 6,917
CURRENT TAX COLLECTION FUND				
ASSETS				
Cash	\$ -	\$ 6,315,664	\$ 6,315,664	\$ -
LIABILITIES				
Accounts payable	\$ -	\$ 824,709	\$ 824,709	\$ -
Due to other funds	-	5,463,862	5,463,862	-
Due to other governmental units	-	27,093	27,093	-
TOTAL LIABILITIES	\$ -	\$ 6,315,664	\$ 6,315,664	\$ -
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	\$ 6,711	\$ 6,329,074	\$ 6,328,868	\$ 6,917
LIABILITIES				
Accounts payable	\$ 6,576	\$ 825,059	\$ 824,718	\$ 6,917
Due to other funds	-	5,465,507	5,465,507	-
Due to other governmental units	135	38,509	38,644	-
TOTAL LIABILITIES	\$ 6,711	\$ 6,329,075	\$ 6,328,869	\$ 6,917

SCHEDULES OF INDEBTEDNESS

Charter Township of Pennfield
SCHEDULE OF INDEBTEDNESS

March 31, 2004

	<u>Maturity year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total requirements</u>
Contract payable - County of Calhoun, Michigan - Water Supply System No. 6 - 5.00%	2005	\$ 36,000	\$ 30,000	\$ 66,000
	2006	34,500	30,000	64,500
	2007	33,000	30,000	63,000
	2008	31,500	30,000	61,500
	2009	29,750	40,000	69,750
	2010	27,750	40,000	67,750
	2011	25,750	40,000	65,750
	2012	23,750	40,000	63,750
	2013	21,750	40,000	61,750
	2014	19,750	40,000	59,750
	2015	17,750	40,000	57,750
	2016	15,750	40,000	55,750
	2017	13,750	40,000	53,750
	2018	11,750	40,000	51,750
	2019	9,750	40,000	49,750
	2020	7,750	40,000	47,750
	2021	5,625	45,000	50,625
	2022	3,375	45,000	48,375
	2023	<u>1,125</u>	<u>45,000</u>	<u>46,125</u>
		<u>\$ 370,125</u>	<u>\$ 735,000</u>	<u>\$ 1,105,125</u>

Charter Township of Pennfield
SCHEDULE OF INDEBTEDNESS (Continued)

March 31, 2004

	<u>Maturity year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total requirements</u>
Contract payable - County of	2005	\$ 120,294	\$ 30,000	\$ 150,294
Calhoun, Michigan - Water	2006	118,681	30,000	148,681
Supply System Series 1997 -	2007	116,844	30,000	146,844
5.00 to 7.00%	2008	114,481	50,000	164,481
	2009	111,856	50,000	161,856
	2010	109,231	50,000	159,231
	2011	106,669	50,000	156,669
	2012	104,144	50,000	154,144
	2013	101,588	50,000	151,588
	2014	99,006	50,000	149,006
	2015	96,406	50,000	146,406
	2016	93,606	50,000	143,606
	2017	90,794	50,000	140,794
	2018	88,169	50,000	138,169
	2019	84,231	100,000	184,231
	2020	78,956	100,000	178,956
	2021	73,656	100,000	173,656
	2022	68,006	100,000	168,006
	2023	62,331	100,000	162,331
	2024	56,981	100,000	156,981
	2025	51,631	100,000	151,631
	2026	46,281	100,000	146,281
	2027	40,931	100,000	140,931
	2028	35,581	100,000	135,581
	2029	29,563	125,000	154,563
	2030	22,860	125,000	147,860
	2031	16,250	125,000	141,250
	2032	9,750	125,000	134,750
	2033	3,250	125,000	128,250
		<u>\$ 2,152,027</u>	<u>\$ 2,265,000</u>	<u>\$ 4,417,027</u>

Charter Township of Pennfield
SCHEDULE OF INDEBTEDNESS (Continued)

March 31, 2004

	<u>Maturity year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total requirements</u>
Contract payable - County of	2005	\$ 50,625	\$ 75,000	\$ 125,625
Calhoun, Michigan - Sanitary	2006	46,875	75,000	121,875
Sewer System No. 28 - 5.00%	2007	43,125	75,000	118,125
	2008	39,375	75,000	114,375
	2009	35,625	75,000	110,625
	2010	31,875	75,000	106,875
	2011	28,125	75,000	103,125
	2012	24,375	75,000	99,375
	2013	20,625	75,000	95,625
	2014	16,875	75,000	91,875
	2015	13,125	75,000	88,125
	2016	9,375	75,000	84,375
	2017	5,625	75,000	80,625
	2018	<u>1,875</u>	<u>75,000</u>	<u>76,875</u>
		<u>\$ 367,500</u>	<u>\$ 1,050,000</u>	<u>\$ 1,417,500</u>